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WASHINGTON PARISH GOVERNMENT
Franklinton, Louisiana

*Primary Government Financial Statements,
Supplemental Information, and Independent Auditor's Reports*

Year Ended December 31, 2003

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8/25/04

RICHARD M. SEAL

CERTIFIED PUBLIC ACCOUNTANT • CERTIFIED GOVERNMENT FINANCIAL MANAGER

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Franklinton, Louisiana
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Franklinton, Louisiana
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RICHARD M. SEAL

CERTIFIED PUBLIC ACCOUNTANT ◦ CERTIFIED GOVERNMENT FINANCIAL MANAGER

INDEPENDENT AUDITOR'S REPORT ON THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

Washington Parish Government
Franklinton, Louisiana

I have audited the accompanying primary government financial statements of the Washington Parish Government, Franklinton, Louisiana, as of and for the year ended December 31, 2003. These financial statements are the responsibility of the Washington Parish Government's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall primary government financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate. Such legally separate entities are referred to as component units. In my opinion, the primary government financial statements present fairly, in all material respects, the financial position of the primary government of the Washington Parish Government as of December 31, 2003, and the results of its operations and its cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

However, the primary government financial statements, because they do not include the financial data of component units of the Washington Parish Government do not purport to, and do not, present fairly the financial position of the Washington Parish Government as of December 31, 2003, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated June 23, 2004 on my consideration of the Washington Parish Government's internal control over financial reporting and my tests of compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an annual audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

My audit was made for the purpose of forming an opinion on the primary government financial statements of the Washington Parish Government taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements of Washington Parish Government. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the financial statements taken as whole. Also, the supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the primary government financial statements taken as a whole.

Rutland M. Seal

Certified Public Accountant

Bogalusa, Louisiana
June 23, 2004

WASHINGTON PARISH GOVERNMENT
 Franklinton, Louisiana
Combined Balance Sheet - All Fund Types and Account Groups
 December 31, 2003

	GOVERNMENTAL FUND TYPES			PROPRIETARY FUND TYPE	ACCOUNT GROUPS		TOTAL (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	DEBT SERVICE		CAPITAL PROJECTS	GENERAL FIXED ASSETS	
ASSETS AND OTHER DEBITS							
Assets:							
Cash and cash equivalents	\$ 8,528,931	\$ 2,646,640	\$ 1,808	\$ 3,189	\$ 19,845	\$	\$ 11,200,413
Investments	125,329	1,046,676	218,038				1,390,043
Receivables	509,819	1,704,822		12,362,667			14,577,308
Notes receivable				94,877			94,877
Due from other funds	2,560,661	3,534,853		6,690,041			12,785,555
Due from other governmental units	53,726	682					54,408
Net investment in joint venture		70,139				408,079	478,218
Land, buildings, and equipment						11,404,441	11,404,441
Other debits:							
Amount available in debt service fund						135,049	135,049
Amount to be provided for retirement of general long-term debt						22,683,624	22,683,624
Total assets and other debits	\$ 11,776,466	\$ 9,003,812	\$ 219,846	\$ 19,055,897	\$ 114,722	\$ 11,812,520	\$ 74,803,936
LIABILITIES AND FUND EQUITY							
Liabilities:							
Accounts payable	\$ 233,877	\$ 403,462		\$ 268,616	\$	\$	\$ 905,955
Retainage payable				227,610			227,610
Due to other funds	9,908,346	2,774,412	84,797		18,000		12,785,555
Due to other governmental units		17,224		334			17,558
Deferred revenue				2,855			2,855
Limited tax certificates of indebtedness						5,600,000	5,600,000
Certificate of indebtedness						2,195,000	2,195,000
Revenue bonds						15,000,000	15,000,000
Capital leases payable						2,633	2,633
Compensated absences payable						21,040	21,040
Total liabilities	10,142,223	3,195,098	84,797	499,415	18,000	22,818,673	36,758,206

(Continued)
 The accompanying notes are an integral part of this statement.

WASHINGTON PARISH GOVERNMENT
Franklinton, Louisiana
Combined Balance Sheet - All Fund Types and Account Groups
December 31, 2003

	GOVERNMENTAL FUND TYPES				PROPRIETARY FUND TYPE	ACCOUNT GROUPS		TOTAL (MEMORANDUM ONLY)	
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS		ENTERPRISE	GENERAL		LONG-TERM DEBT
							FIXED ASSETS		
Fund equity:	\$	\$	\$	\$	\$	\$ 11,812,520	\$	\$ 11,812,520	
Investment in general fixed assets									
Retained earnings:									
Unreserved					96,722			96,722	
Fund balances:									
Reserved:									
Industrial development	50,000							50,000	
Debt service - Jail			135,049					135,049	
Unreserved:									
Designated:									
Health insurance	125,927							125,927	
Closure and postclosure care costs		441,306						441,306	
Construction		600,000						600,000	
Undesignated	1,460,316	4,767,408		18,556,482				24,784,206	
Total fund equity	1,636,243	5,808,714	135,049	18,556,482	96,722	11,812,520	-	38,045,730	
Total Liabilities and Fund Equity	\$ 11,778,466	\$ 9,003,812	\$ 219,846	\$ 19,055,897	\$ 114,722	\$ 11,812,520	\$ 22,818,673	\$ 74,803,936	

(Concluded)

The accompanying notes are an integral part of this statement.

WASHINGTON PARISH GOVERNMENT
 Franklinton, Louisiana
 Combined Statement of Revenues, Expenditures,
 and Changes in Fund Balances - Governmental Funds
 For the Year Ended December 31, 2003

REVENUES	GENERAL FUND	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUNDS	TOTAL (MEMORANDUM ONLY)
Taxes					
Ad valorem	\$ 272,842	\$ 1,276,543	\$ 891	\$ 957,131	\$ 2,507,407
Sales	3,718	1,495,601		1,929,118	3,428,437
Licenses and permits	155,575				155,575
Intergovernmental revenues					
Federal funds					
Federal grants		4,312		392,471	396,783
State funds					
Parish transportation funds		432,466			432,466
State revenue sharing(net)	40,014	156,263			196,277
Other	636,185	223,751			859,936
Local				9,772	9,772
Fees, charges, etc	116,255	6,396			122,651
Fines and forfeitures	5,098	120,758			125,856
Interest	10,938	122,325	5,418	227,105	365,786
Other	7,877	66,790			74,667
Total revenues	<u>1,248,502</u>	<u>3,905,205</u>	<u>6,309</u>	<u>3,515,597</u>	<u>8,675,613</u>

(Continued)
 The accompanying notes are an integral part of this statement

WASHINGTON PARISH GOVERNMENT
Franklinton, Louisiana
Combined Statement of Revenues, Expenditures,
and Changes in Fund Balances - Governmental Funds
For the Year Ended December 31, 2003

EXPENDITURES	GENERAL FUND	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUNDS	TOTAL (MEMORANDUM ONLY)
Current:					
General government:					
Legislative	\$ 98,313				\$ 98,313
Judicial	699,581	156,173			855,754
Executive	180,197				180,197
Elections	167,243				167,243
Finance and administrative	263,314				263,314
Other	26,218				131,050
Public safety	379,171				399,400
Health and welfare	45,304				337,840
Highways and streets		1,677,887			1,677,887
Sanitation		528,007			528,007
Culture and recreation		594,746			594,746
Bond issuance fees				106,508	106,508
Debt service	1,808	2,258	682,614		686,680
Capital outlay	537,720	449,267		7,098,382	8,085,369
Total expenditures	<u>2,398,869</u>	<u>3,825,935</u>	<u>682,614</u>	<u>7,204,890</u>	<u>14,112,308</u>
Excess(deficiency) of revenues over expenditures	<u>(1,150,367)</u>	<u>79,270</u>	<u>(676,305)</u>	<u>(3,689,293)</u>	<u>(5,436,695)</u>

(Continued)

The accompanying notes are an integral part of this statement.

WASHINGTON PARISH GOVERNMENT
Franklinton, Louisiana
Combined Statement of Revenues, Expenditures,
and Changes in Fund Balances - Governmental Funds
For the Year Ended December 31, 2003

	GENERAL FUND	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUNDS	TOTAL (MEMORANDUM ONLY)
OTHER FINANCING SOURCES(USES)					
Operating transfers in	\$ 1,435,004	\$ 316,548	\$ 682,614	\$	\$ 2,434,166
Operating transfers(out)		(1,751,552)		(682,614)	(2,434,166)
Increase in investment in joint venture		12,039			12,039
Excess sales tax split with other government entities		(358,754)			(358,754)
Bond proceeds				15,000,000	15,000,000
Bond premiums				19,701	19,701
Sale of fixed assets		6,525			6,525
Total other financing sources(uses)	1,435,004	(1,775,194)	682,614	14,337,087	14,679,511
Excess of revenues and other financing sources over expenditures and other uses	284,637	(1,695,924)	6,309	10,647,794	9,242,816
Fund balances at beginning of year	1,351,606	7,504,638	128,740	7,908,688	16,893,672
Fund balances at end of year	\$ 1,636,243	\$ 5,808,714	\$ 135,049	\$ 18,556,482	\$ 26,136,488
(Concluded)					

The accompanying notes are an integral part of this statement.

WASHINGTON PARISH GOVERNMENT
Franklinton, Louisiana

Combined Statement of Revenues, Expenditures,
and Changes in Fund Balances - Budget (GAAP Basis)
and Actual -Governmental Funds
For the Year Ended December 31, 2003

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
REVENUES						
Taxes:						
Ad valorem	\$ 240,000	\$ 272,842	\$	\$ 936,114	\$ 1,276,543	\$ 340,429
Sales	4,300	3,718	(582)	1,372,818	1,495,601	122,783
Licenses and permits	154,100	155,575	1,475			
Intergovernmental revenues:						
Federal funds					4,312	4,312
State funds:						
Parish transportation funds		40,014	(8,986)	311,548	432,466	120,918
State revenue sharing(net)	625,886	636,185	10,299	191,935	156,263	(35,672)
Other	128,600	116,255	(12,345)	221,307	223,751	2,444
Fees, charges, etc.	5,000	5,098	98	6,550	6,396	(154)
Fines and forfeitures	9,400	10,938	1,538	167,700	120,758	(46,942)
Interest				102,685	122,325	19,640
Other	5,600	7,877	2,277	200	66,790	66,590
Total revenues	1,221,886	1,248,502	(6,226)	3,310,857	3,905,205	594,348

(Continued)
The accompanying notes are an integral part of this statement.

WASHINGTON PARISH GOVERNMENT
Franklinton, Louisiana

Combined Statement of Revenues, Expenditures,
and Changes in Fund Balances - Budget (GAAP Basis)
and Actual -Governmental Funds
For the Year Ended December 31, 2003

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
EXPENDITURES						
Current:						
General government:						
Legislative	\$ 98,655	\$ 98,313	\$ 342			
Judicial	688,359	699,581	(11,222)			
Executive	182,760	180,197	2,563	164,227	156,173	8,054
Elections	65,775	167,243	(101,468)			
Finance and administrative	222,611	263,314	(40,703)			
Other	36,533	26,218	10,315	106,364	104,832	1,532
Public safety	392,387	379,171	13,216	16,743	20,229	(3,486)
Health and welfare	33,667	45,304	(11,637)	286,619	292,536	(5,917)
Highways and streets				1,806,897	1,677,887	129,010
Sanitation				509,712	528,007	(18,295)
Culture and recreation				592,290	594,746	(2,456)
Debt service	1,980	1,808	172	2,170	2,258	(88)
Capital outlay	559,538	537,720	21,818	430,883	449,267	(18,384)
Total expenditures	2,282,265	2,398,869	(116,604)	3,915,905	3,825,935	89,970
Excess(deficiency) of revenues over expenditures	(1,060,379)	(1,150,367)	(122,830)	(605,048)	79,270	684,318

(Continued)

The accompanying notes are an integral part of this statement.

WASHINGTON PARISH GOVERNMENT
 Franklinton, Louisiana
 Combined Statement of Revenues, Expenditures,
 and Changes in Fund Balances - Budget (GAAP Basis)
 and Actual -Governmental Funds
 For the Year Ended December 31, 2003

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
OTHER FINANCING SOURCES(USES)						
Operating transfers in	\$ 1,621,252	\$ 1,435,004	\$ (186,248)	\$ 357,629	\$ 316,548	\$ (41,081)
Operating transfers(out)	-	-	-	(3,746,295)	(1,751,552)	(1,994,743)
Increase in investment in joint venture				-	12,039	(12,039)
Excess sales tax split with other government entities				(405,313)	(358,754)	(46,559)
Sale of fixed assets				6,525	6,525	-
Total other financing sources(uses)	<u>1,621,252</u>	<u>1,435,004</u>	<u>(186,248)</u>	<u>(3,787,454)</u>	<u>(1,775,194)</u>	<u>(2,094,422)</u>
Excess of revenues and other financing sources over expenditures and other uses	560,873	284,637	(276,236)	(4,392,502)	(1,695,924)	2,696,578
Fund balances at beginning of year	<u>1,351,606</u>	<u>1,351,606</u>	-	<u>9,509,256</u>	<u>7,504,638</u>	<u>(2,004,618)</u>
Fund balances at end of year	<u>\$ 1,912,479</u>	<u>\$ 1,636,243</u>	<u>\$ (276,236)</u>	<u>\$ 5,116,754</u>	<u>\$ 5,808,714</u>	<u>\$ 691,960</u>
(Concluded)						

The accompanying notes are an integral part of this statement.

WASHINGTON PARISH GOVERNMENT
Franklinton, Louisiana
Statement of Revenue and Expenses - Enterprise Fund
For the Year Ended December 31, 2003

REVENUE

Interest income	26,359
Other	505
Total revenues	<u>26,864</u>

EXPENSES

Bad debt expense	911,033
	<u>911,033</u>

Net income	<u>\$ (884,169)</u>
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The accompanying notes are an integral part of this statement.

WASHINGTON PARISH GOVERNMENT
Franklinton, Louisiana
Statement of Cash Flows - Enterprise Fund
For the Year Ended December 31, 2003

CASH FLOWS FROM OPERATIONS

Operating income (loss)	\$ (884,169)
Adjustments to reconcile operating income to net cash provided by operating activities:	
(Increase) decrease in:	
Due from General Fund	9,321
Note receivable	<u>883,904</u>
Net cash flow provided by operating activities	9,056
Cash at beginning of year	<u>10,789</u>
Cash at end of year	<u><u>\$ 19,845</u></u>

Washington Parish Government paid interest during the year of \$0.

The accompanying notes are an integral part of this statement.

WASHINGTON PARISH GOVERNMENT
Franklinton, Louisiana
Notes to the Primary Government Financial Statements
As of and for the year ended December 31, 2003

INTRODUCTION

The Washington Parish Government is the governing authority for Washington Parish and is a political subdivision of the State of Louisiana. On November 17, 1998 a home rule charter became effective which provides for a Parish President (elected parish-wide) and seven elected Councilmen representing the various districts within the parish.

Louisiana Revised Statute (R.S.) 33:1236 gives the parish government various powers in regulating and directing the affairs of the parish and its inhabitants. The more notable of those are the power to make regulations for its own government; to regulate the construction and maintenance of roads, bridges, and drainage systems; to regulate the sale of alcoholic beverages; and to provide for the health and welfare of the poor, disadvantaged, and unemployed in the parish. Funding to accomplish these tasks is provided by ad valorem taxes, beer and alcoholic beverage permits, state revenue sharing, and various other state and federal grants.

Washington Parish is 676 square miles, and has 555.2 miles of asphalt roads and 278.4 miles of gravel roads.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying financial statements of the Washington Parish Government (the Government) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. REPORTING ENTITY

As the governing authority of the parish, for reporting purposes, the Washington Parish Government is the financial reporting entity for Washington Parish. The financial reporting entity consists of (a) the primary government (Parish Government), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of

WASHINGTON PARISH GOVERNMENT

Franklinton, Louisiana

Notes to the Primary Government Financial Statements (Continued)

their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining which component units should be considered part of the Washington Parish Government for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability.

This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the Parish Government to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Parish Government.
2. Organizations for which the Parish Government does not appoint a voting majority but are fiscally dependent on the Parish Government.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Based on the previous criteria, the Parish Government has determined that the following component units are part of the reporting entity. They have been blended because the Parish Government maintains the accounting records.

Blended Component Unit

The Tourism Tax Fund (the Fund) was established by Ordinance No. 49 on December 29, 1992, which imposed a 3% bed and board tax to fund the Washington Parish Tourism Commission (the Commission) created earlier that year. In 1994 the 3% tax was ruled to be unconstitutional. Since the fund serves all constituents of Washington Parish, and due to the significance of the fiscal dependency relationship, it has been blended with the Parish Government's financial statements.

WASHINGTON PARISH GOVERNMENT

Franklinton, Louisiana

Notes to the Primary Government Financial Statements (Continued)

The Criminal Court Fund (the Fund) was established under Section 571.11 of Title 15 of the Louisiana Revised Statutes of 1950, which provides that fines and forfeitures imposed by district courts and district attorney conviction fees in criminal court cases be transferred to the parish treasurer and deposited into a special Criminal Court Fund account to be used for the expenses of the criminal court of the parish. Expenditures are made from the fund on motion of the district attorney and approval of the district judges or on motion of the district judges and approval of the district attorney. The Parish Government adopts a budget for the fund. Separate financial statements are not issued for the fund since it has been historically included as a fund within the Parish Government's financial statements.

The Washington Parish Library (the Library) was established by the Parish Government on November 14, 1945, under provisions of Louisiana Revised Statute 25:211. The Library is governed by a board of control, which is appointed by the Parish Government in accordance with the provisions of Louisiana Revised Statute 25:214. Although the Library is legally separate, the Parish Government approves its budget and levies and collects ad valorem taxes dedicated to the operation of the library system. Separate financial statements are not issued for the Library since it has been historically included as a fund within the Parish Government's financial statements.

The Washington Parish Office of Emergency Preparedness (OEP) was established by state law (R.S. 29:728) and is responsible for emergency mitigation, preparedness, response and recovery. The director is appointed by the parish president and must be commissioned by the director of the state office of emergency preparedness. Operating expenses are partially reimbursed by the state office.

Discretely Presented Component Units

The Parish Government has chosen to issue financial statements of the primary government (Parish Government) and blended component units only; therefore, none of the following listed component units are discretely presented in the accompanying financial statements.

WASHINGTON PARISH GOVERNMENT

Franklinton, Louisiana

Notes to the Primary Government Financial Statements (Continued)

<u>Component Unit</u>	<u>Fiscal Year End</u>	<u>Criteria Used</u>
Washington Parish Assessor	December 31	2
Washington Parish Clerk of Court	June 30	2
Washington Parish Sheriff	June 30	2
Riverside Medical Center-		
Hospital Service District No. 1	December 31	1
Washington Parish Gas District No. 1	December 31	1
Washington Parish Gas District No. 2	December 31	1
Bogalusa Waterworks District	December 31	1
Varnado Waterworks District	December 31	1
Fire Protection District No. 1	December 31	1
Fire Protection District No. 2	December 31	1
Fire Protection District No. 3	December 31	1
Fire Protection District No. 4	December 31	1
Fire Protection District No. 5	December 31	1
Fire Protection District No. 6	December 31	1
Fire Protection District No. 7	December 31	1
Fire Protection District No. 8	December 31	1
Mt. Hermon Fire District	December 31	1
Washington Parish Communications District	December 31	1
Washington Parish Tourism Commission	December 31	1

Primary government officials may appoint some, or all, governing board members of organizations that are not included as component units in the primary government's reporting entity. These organizations are classified as (a) related organizations and (b) joint ventures, as follows:

Related Organizations

Housing Authority of Washington Parish - The Parish Government appoints all five Commissioners of the Housing Authority of Washington Parish. However, no further contact or influence exists. Therefore, it is not included in the Parish Government's financial statements.

WASHINGTON PARISH GOVERNMENT

Franklinton, Louisiana

Notes to the Primary Government Financial Statements (Continued)

Joint Ventures

Choctaw Road Landfill (the Joint Venture) - The Parish Government is a participant with the City of Bogalusa (the City) in a joint venture to construct and operate the Choctaw Road Landfill, a solid waste disposal landfill. The Joint Venture was opened in July of 1989. The agreed upon percentages of sharing of construction costs and operating losses were 58.1% for the Parish Government and 41.9% for the City. The Parish Government's share of costs is funded by a dedicated .67 percent sales tax in Washington Parish, excluding Ward 4. The City's share of costs is funded by an ad valorem tax.

The Joint Venture is apparently not experiencing any financial stress. Complete financial statements for the Joint Venture can be obtained from the Washington Parish Parish Government at the parish courthouse in Franklinton, LA.

GASB Statement No. 14 provides for the issuance of primary government financial statements that are separate from those of the reporting entity. However, the primary government's (Parish Government) financial statements are not a substitute for the reporting entity's financial statements. The accompanying primary government financial statements have been prepared in conformity with generally accepted accounting principles as applied to governmental units. These financial statements are not intended to and do not report on the reporting entity but rather are intended to reflect only the financial statements of the primary government (Parish Government).

Considered in the determination of component units of the reporting entity were the Washington Parish School Board and various municipalities in the parish. It was determined that these governmental entities are not component units of the Washington Parish Government reporting entity because they have separately elected governing bodies, are legally separate, and are fiscally independent of the Washington Parish Government.

C. FUND ACCOUNTING

The Parish Government uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

WASHINGTON PARISH GOVERNMENT

Franklinton, Louisiana

Notes to the Primary Government Financial Statements (Continued)

A fund is a separate accounting entity with a self-balancing set of accounts. On the other hand, an account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds of the Parish Government are classified into two categories: governmental and proprietary. In turn, each category is divided into separate fund types. The fund classifications and description of each existing fund type follow:

Governmental Funds

Governmental funds are used to account for all or most of the Parish Government's general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long-term debt. Governmental funds include:

1. **General Fund**—the general operating fund of the Parish Government and accounts for all financial resources, except those required to be accounted for in other funds.
2. **Special Revenue Funds**—accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
3. **Debt Service Fund**—accounts for transactions relating to resources retained and used for the payment of principal and interest on those long-term obligations recorded in the general long-term obligations account group.
4. **Capital Projects Funds**—accounts for financial resources received and used for the acquisition, construction or improvement of capital facilities not reported in the other governmental funds.

Proprietary Funds

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds differ from governmental funds in that their focus is on income measurement, which, together with the maintenance of equity, is an important financial indicator. Proprietary funds include:

WASHINGTON PARISH GOVERNMENT

Franklinton, Louisiana

Notes to the Primary Government Financial Statements (Continued)

1. **Enterprise Fund**—accounts for operations (a) where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Account Groups

Account groups are used to establish accounting control and accountability for the Parish Government's general fixed assets and general long-term debt. The following are the Parish Government's Account Groups:

1. **General Fixed Assets Account Group**—Fixed assets used in Governmental Fund Type operations are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. General fixed assets consist of land, buildings and improvements, and equipment with an expected useful life of more than one year. Purchases of general fixed assets are recorded as expenditures at the time of purchase. Depreciation is not recorded on general fixed assets.
2. **General Long-Term Debt Account Group**—Long-term liabilities such as unmatured general obligation indebtedness and the long-term portion of compensation absences expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group.

D. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is followed by all governmental funds (General Fund, Special Revenue Funds, and Debt Service Fund).

WASHINGTON PARISH GOVERNMENT

Franklinton, Louisiana

Notes to the Primary Government Financial Statements (Continued)

Revenues

Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Ad valorem taxes are considered "measurable" at the time of levy, whereas such items as beer taxes are considered "measurable" when in the hands of intermediary collecting agencies and are recognized as revenue at that time. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Ad valorem taxes are considered to be available if they are collected within 60 days after year-end.

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

Other Financing Sources (Uses)

Transfers between funds that are not expected to be repaid (or any other types, such as capital lease transactions, sale of fixed assets, etc.) are accounted for as other financing sources (uses). These other financing sources (uses) are recognized at the time the underlying events occur.

Proprietary funds are accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. The proprietary funds use the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized at the time liabilities are incurred.

E. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

F. BUDGET PRACTICES

Preliminary budgets for the ensuing year are prepared by the Comptroller during October of each year. During November the budget committee reviews the proposed budgets and makes changes as it deems appropriate. The availability of the proposed budgets are then advertised in the official journal. Prior to the

WASHINGTON PARISH GOVERNMENT

Franklinton, Louisiana

Notes to the Primary Government Financial Statements (Continued)

regular meeting in December, the Parish Government holds a public hearing on the proposed budgets in order to receive comments from residents. Changes are made to the proposed budgets based on the public hearings and the desires of the Parish Government. The budgets are then adopted during the regular December meeting and notice is published in the official journal.

The Parish Government receives monthly budget comparison statements during the year that are used as a tool to control the operations of the parish. In December the Parish Government votes to adopt the final budget adjustments for the year. Budgeted amounts included in the accompanying financial statements include the original adopted budget and all subsequent amendments.

The Parish Government exercises budgetary control at the functional level. Unexpended appropriations lapse at year end and must be reappropriated in the next year's budget to be expended. Budgets are adopted using the modified accrual basis of accounting.

G. ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to reserve that portion of the applicable appropriation, is employed in the governmental funds. Every appropriation, except an appropriation for a capital expenditure, will lapse at the close of the fiscal year to the extent it has not been expended. Encumbrances do not constitute expenditures or liabilities.

H. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash includes amounts in demand deposits and interest-bearing demand deposits. Cash and cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the Parish Government may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Under state law, the Parish Government may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at cost.

WASHINGTON PARISH GOVERNMENT

Franklinton, Louisiana

Notes to the Primary Government Financial Statements (Continued)

I. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as interfund receivables or interfund payables on the balance sheet.

J. FIXED ASSETS

Fixed assets of governmental funds are recorded as expenditures at the time purchased or constructed, and the related assets are capitalized (reported) in the general fixed assets account group. Public domain or infrastructures are not capitalized. Interest costs incurred during construction are not capitalized. No depreciation has been provided on general fixed assets. All fixed assets are valued at historical cost or estimated cost.

K. COMPENSATED ABSENCES

The cost of current leave privileges, computed in accordance with GASB Codification Section C60, is recognized as a current-year expenditure in the governmental funds when leave is actually taken. The cost of leave privileges not requiring current resources is recorded in the general long-term debt account group.

Employees of the Parish Government, Library and Criminal Court earn vacation leave at varying rates according to years of service. Vacation leave must be taken during the year earned. However, upon termination employees are paid for any unused vacation leave earned during the year.

Employees earn 12 days of sick leave each year. A total of 45 days may be accumulated. All accumulated sick leave lapses upon termination, except for employees of the Library who are paid for all accumulated sick leave upon termination.

L. LONG-TERM DEBT

Long-term obligations expected to be financed from governmental funds are reported in the general long-term debt account group. Expenditures for principal and interest payments for long-term obligations are recognized in the governmental funds when due.

WASHINGTON PARISH GOVERNMENT

Franklinton, Louisiana

Notes to the Primary Government Financial Statements (Continued)

M. FUND EQUITY

Reserved Fund Balances

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use.

Designated Fund Balances

Designated fund balances represent tentative plans for future use of financial resources.

N. INTERFUND TRANSACTIONS

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

O. SALES TAXES CHANGES

On September 27, 1986 the voters of Washington Parish outside the corporate limits of the City of Bogalusa approved for an indefinite period of time, a one per cent sales tax. The proceeds of the sales tax, after administrative expenses, were dedicated to the costs of acquiring, operating, and maintaining solid waste disposal facilities.

On April 11, 1992 the voters decided to rededicate and re-allocate the above mentioned sales tax so that the proceeds in excess of those needed for the solid waste to:

- (a) 45% to pay the costs of services which the parish is legally obligated to pay under the laws of Louisiana;

WASHINGTON PARISH GOVERNMENT

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Notes to the Primary Government Financial Statements (Continued)

- (b) 44.14% to be placed in the Parish Transportation Fund to be used for constructing, maintaining and improving public roads, highways and bridges in the Parish, to the extent that such projects qualify as allowable Parish Transportation Fund projects;
- (c) 9.72% to be used for constructing, maintaining and improving public roads, highways and bridges, for constructing, maintaining and improving drainage facilities and for economic development in the Town of Franklinton [provided that for five years after the effective date of this rededication, 80% of the portion described in this part (c) shall be used for economic development];
- (d) 0.57% to be used for constructing, maintaining and improving public roads, highways and bridges in the Village of Angie; and
- (e) 0.57% to be used for constructing, maintaining and improving public roads, highways and bridges in the Village of Varnado.

On April 6, 2002 the voters decided to reduce the 1.00% sales tax, parishwide except Bogalusa, to .67% and rededicate the proceeds of the tax in excess of that needed for solid waste to:

- (a) 68% for cost of services parish is legally obligated to pay,
- (b) 15% for parish roads and bridges,
- (c) 15% to the Town of Franklinton,
- (d) 1% to the Village of Angie, and
- (e) 1% to the Village of Varnado.

On April 6, 2002 the voters, also, approved a parishwide .33% sales and use tax dedicated solely for constructing, improving, maintaining and resurfacing parish roads and bridges, including incidental drainage and the acquisitions of equipment therefor. The tax was levied beginning July 1, 2002.

On November 5, 2002 the voters approved a 1% sales and use tax for all unincorporated areas of the Parish dedicated solely for constructing, improving, maintaining and resurfacing parish roads and bridges, including incidental drainage and the acquisitions of equipment therefor. The tax was levied beginning January 1, 2003.

P. AD VALOREM TAX CHANGE

On April 6, 2002 the voters approved a parishwide 10 year, 10 mills ad valorem tax dedicated solely for constructing, improving, maintaining and resurfacing public roads and bridges, including incidental drainage and the acquisition of equipment therefor.

WASHINGTON PARISH GOVERNMENT

Franklinton, Louisiana

Notes to the Primary Government Financial Statements (Continued)

Q. TOTAL COLUMNS ON COMBINED STATEMENTS

Total columns on the combined statements are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

2. LEVIED TAXES

The following is a listing of levied millages for ad valorem taxes:

	<u>Levied Millage</u>	<u>Expiration Date</u>
Parishwide Taxes:		
General Fund:		
Inside	1.85	Indef.
Outside	3.70	Indef.
Special Revenue Funds:		
Library	4.60	2006
Parish Transportation	4.13	2006
Courthouse Maintenance	1.03	2006
Health Unit Maintenance	3.11	2006
Capital Projects Fund:		
Road Improvement	<u>10.00</u>	2011
	<u>28.42</u>	

3. CASH AND CASH EQUIVALENTS

At December 31, 2003, the Parish Government has cash and cash equivalents (book balances) totaling \$11,200,413. Most accounts are interest bearing demand deposits.

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. At December 31, 2003, Parish

WASHINGTON PARISH GOVERNMENT

Franklinton, Louisiana

Notes to the Primary Government Financial Statements (Continued)

Government has \$11,146,708 in deposits (collected bank balances). These deposits are secured from risk by \$223,420 of federal deposit insurance and \$15,364,960 of pledged securities held by a custodial bank in the name of the fiscal agent bank.

4. INVESTMENTS

At December 31, 2003, the Parish Government holds investments of Certificates of Deposit totaling \$1,390,043. These investments are secured by pledged securities held by a custodial bank in the name of the fiscal agent bank (GASB Category 3).

5. RECEIVABLES

The following is a summary of receivables at December 31, 2003:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Total</u>
Taxes:				
Ad valorem	\$ 281,654	\$ 1,332,175	\$ 1,010,214	\$ 2,624,043
Sales tax	3,283	142,956	189,608	335,847
State revenue sharing	38,403	155,925		194,328
Intergovernmental-				
State	90,435	55,785	92,409	238,629
Local	54,035	17,981		72,016
Other	<u>42,009</u>	<u> </u>	<u>11,070,436</u>	<u>11,112,445</u>
Total	<u>\$ 509,819</u>	<u>\$ 1,704,822</u>	<u>\$12,362,667</u>	<u>\$14,577,308</u>

7. NOTES RECEIVABLE

In 2002, Parish Government received a Federal grant of \$975,000 to establish a revolving loan fund to businesses to improve the economy in rural parts of the parish. The entire \$975,000 was loaned to Richard and Penny Breedlove and Breedlove Farm, L.L.C. on October 18, 2002, at an interest rate of 2.75%. The Breedlove's are to repay the loan in 120 monthly payments of \$9,320 including interest. Collection of the loan has become doubtful.

WASHINGTON PARISH GOVERNMENT

Franklinton, Louisiana

Notes to the Primary Government Financial Statements (Continued)

During 2003 the fund made three separate loans to Smith Creamery, L.L.C. amounting to \$97,750 at 2% interest, to be repaid monthly over ten years.

Note balances, December 31, 2003	
Breedlove Farm, L.L.C.	\$ 911,033
Smith Creamery, L.L.C.	94,877
Allowance for doubtful account	<u>(911,033)</u>
 Note balances, net of allowance for doubtful account	 <u>\$ 94,877</u>

8. NET INVESTMENT IN JOINT VENTURE

The Parish Government's share of their investment in Choctaw Road Landfill is accounted for in the Sales Tax Split 1% Fund which is a governmental fund. The equity interest in the joint venture represents equity primarily in capital assets and otherwise does not meet the definition of a current financial resource. GASB #14 states that it is inappropriate to report the entire "Net investment in Joint Venture" as an asset in a governmental fund; only the amount that is a current financial resource should be reported. The remainder should be reported in the General Fixed Asset Account Group:

Accordingly, the Parish's 58.1% "Net investment in Joint Venture" of Choctaw Road Landfill at December 31, 2003, is shown in the financial statements as follows:

Sales Tax Split 1% Fund:	
Current financial resource	\$ 70,139
 General Fixed Asset Account Group:	
Fixed assets	\$ 1,964,206
Accumulated depreciation	(1,395,862)
Landfill closure and post closure care costs	<u>(160,265)</u>
 Net	 <u>408,079</u>
 Net Investment in Joint Venture	 <u>\$ 478,218</u>

WASHINGTON PARISH GOVERNMENT

Franklinton, Louisiana

Notes to the Primary Government Financial Statements (Continued)

9. FIXED ASSETS

The changes in general fixed assets follow:

	Balance January 1, 2003	Additions	Deletions	Balance December 31, 2003
Parish Government:				
Land	\$ 789,649	\$	\$	\$ 789,649
Buildings	6,291,305	373,563		6,664,868
Equipment	2,781,167	253,441	1,657,298	1,377,310
Total Parish Government	<u>9,862,121</u>	<u>627,004</u>	<u>1,657,298</u>	<u>8,831,827</u>
Library:				
Land	42,343			42,343
Buildings	584,058	17,742		601,800
Furniture & equipment	564,044	52,809	26,441	590,412
Books	1,396,458	59,331	117,730	1,338,059
Total Library	<u>2,586,903</u>	<u>129,882</u>	<u>144,171</u>	<u>2,572,614</u>
Total	<u>\$ 12,449,024</u>	<u>\$ 756,886</u>	<u>\$ 1,801,469</u>	<u>\$11,404,441</u>

10. ON-BEHALF PAYMENTS

GASB Statement 24 establishes accounting and financial reporting standards for pass-through grants, food stamps, and on-behalf payments for fringe benefits and salaries. During the year 2003, the state paid salaries of \$94,793 directly to Parish Government employees on-behalf of Parish Government. This amount has been included in the financial statements in intergovernmental revenue and salaries expenditures.

11. INTERFUND RECEIVABLES/PAYABLES

Individual fund balances due from/to other funds at December 31, 2003 are as follows:

WASHINGTON PARISH GOVERNMENT

Franklinton, Louisiana

Notes to the Primary Government Financial Statements (Continued)

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 2,560,661	\$ 9,908,346
Special Revenue Funds:		
Tourism Tax		682
Parish Transportation	942,965	
Courthouse Maintenance		54,057
Health Unit Maintenance	542,421	
Criminal Court		127,310
Library		668,011
Special Witness	11,912	
Sales Tax Split 1%		162,554
Sales Tax Split .67%	1,982,882	1,751,879
Governor's Office of Urban Development		9,919
Office of Emergency Preparedness	54,673	
Debt Service Fund		84,797
Capital Project Funds:		
Road Improvement	6,690,041	
Enterprise Fund:		
USDA Grant		<u>18,000</u>
 Total	 <u>\$12,785,555</u>	 <u>\$12,785,555</u>

12. CERTIFICATES OF INDEBTEDNESS

On December 31, 2002, Parish Government issued \$5,600,000 of Limited Tax Certificates of Indebtedness, Series 2002. The Certificates were secured by an irrevocable pledge and dedication of the funds to be derived from the collection of a special 10 mill tax authorized to be levied in 2002 through the year 2011. The tax was dedicated solely for construction, improving, maintaining and resurfacing public roads and bridges in the Parish including incidental drainage and the acquisition of equipment thereof.

On December 31, 2002, Parish Government, also, issued \$2,400,000 of Certificates of Indebtedness, Series 2002. The Certificates were secured by a pledge and dedication of the excess of annual revenues above statutory, necessary and usual charges in each of the years during which the certificates are outstanding.

The annual requirements to amortize all certificates outstanding at December 31, 2003, including interest of \$1,429,155, are as follows:

WASHINGTON PARISH GOVERNMENT

Franklinton, Louisiana

Notes to the Primary Government Financial Statements (Continued)

Limited Tax Certificates of Indebtedness, Series 2002 (in thousands):

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 550	\$ 200	\$ 750
2005	565	179	744
2006	585	157	742
2007	600	135	735
2008	620	112	732
Thereafter	<u>2,680</u>	<u>205</u>	<u>2,885</u>
	<u>\$ 5,600</u>	<u>\$ 988</u>	<u>\$ 6,588</u>

Certificate of Indebtedness, Series 2002 (in thousands):

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 205	\$ 84	\$ 289
2005	215	76	291
2006	225	68	293
2007	235	59	294
2008	245	50	295
Thereafter	<u>1,070</u>	<u>104</u>	<u>1,174</u>
	<u>\$ 2,195</u>	<u>\$ 441</u>	<u>\$ 2,636</u>

13. ROAD IMPROVEMENT REVENUE BONDS

Pursuant to a request in Resolution No. 03-266 dated February 24, 2003 of Washington Parish Government, the Louisiana Local Government Environmental Facilities and Community Development Authority (LCDA) issued \$15,000,000 of its Revenue Bonds(Washington Parish Road Project) Series 2003. The following sales tax revenue has been pledged to secure the debt:

- .33% sales and use tax (parishwide) effective for 2002 and
- 1% sales and use tax (all unincorporated areas of the parish) effective January 1, 2003.

WASHINGTON PARISH GOVERNMENT

Franklinton, Louisiana

Notes to the Primary Government Financial Statements (Continued)

The proceeds of the Bonds are dedicated for financing the costs of constructing road improvements in Washington Parish, and are loaned to Parish Government as improvements are made.

The annual requirements to amortize the revenue bonds outstanding at December 31, 2003 including interest of \$3,555,366 follows (in thousands):

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 1,060	\$ 496	\$ 1,556
2005	1,085	473	1,558
2006	1,105	452	1,557
2007	1,125	431	1,556
2008	1,150	398	1,548
Thereafter	<u>9,475</u>	<u>1,305</u>	<u>10,780</u>
	<u>\$ 15,000</u>	<u>\$ 3,555</u>	<u>\$ 18,555</u>

14. LEASES

The Parish Government is obligated under certain leases for copying equipment and a phone system which are accounted for as capital leases. The leased assets and related obligations are accounted for in the General Fixed Assets Account Group and the General Long-Term Debt Account Group, respectively. The following is a schedule of future minimum lease payments as of December 31, 2003:

2004	<u>\$ 2,823</u>
Minimum lease payments	2,823
Less amount representing interest	<u>(190)</u>
Present value of minimum lease payments	<u>\$ 2,633</u>

WASHINGTON PARISH GOVERNMENT

Franklinton, Louisiana

Notes to the Primary Government Financial Statements (Continued)

15. CHANGES IN GENERAL LONG-TERM DEBT(OBLIGATIONS)

The following is a summary of the long-term debt transactions:

	<u>Balance</u> <u>01/01/03</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/03</u>
Limited Tax Certificates of Indebtedness, Series 2002	\$ 5,600,000			\$ 5,600,000
Certificate of Indebtedness, Series 2002	2,400,000		205,000	2,195,000
Road Improvement Revenue Bonds, Series 2003	—	15,000,000		15,000,000
Capital leases payable	6,925		4,292	2,633
Compensated absences	<u>19,465</u>	<u>1,575</u>		<u>21,040</u>
	<u>\$ 8,026,390</u>	<u>\$15,001,575</u>	<u>\$ 209,292</u>	<u>\$22,818,673</u>

16. RESERVED FUND BALANCES

Reserved fund balances at December 31, 2003, follow:

1. **Industrial development** -This \$50,000 is the result of a complicated transaction in which Washington Parish Government created Washington Parish Industrial District No. 1 to assist Crown Zellerbach Corp in issuing bonds for construction. The money is, apparently, restricted to encouraging industrial enterprises within the 725 acres of the District, as long as the District exists.
2. **Jail** - This \$135,049 is the amount remaining in the Debt Service Fund established to service the debt for the General Obligation Jail Bonds, Series 1991.

17. DESIGNATED FUND BALANCES

1. **Health insurance** - This \$125,927 is the remainder of money transferred from an Internal Service Fund that was closed when Parish Government changed health insurance coverage. It has been designated for future increases in health insurance.

WASHINGTON PARISH GOVERNMENT

Franklinton, Louisiana

Notes to the Primary Government Financial Statements (Continued)

2. **Closure and Postclosure care costs** - Funds have been designated as follows:

Total estimated closure and postclosure care costs of Choctaw Road Landfill, a joint venture with the City of Bogalusa	\$ 889,360
Less amount funded with investments by the joint venture	<u>(129,798)</u>
Total unfunded costs	<u>\$ 759,562</u>
Washington Parish Government's 58.1% share	<u>\$ 441,306</u>

3. **Construction** - This \$600,000 was designated by Parish Government in 1995 for construction of the next cell at Choctaw Road Landfill.

18. PENSION PLAN

Substantially all employees of the Washington Parish Government are members of the Parochial Employees Retirement System of Louisiana (System), a cost-sharing, multiple-employer defined benefit pension plan administered by a separate board of trustees. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the Parish Government are members of Plan A.

All permanent employees working at least 28 hours per week who are paid wholly or in part from parish funds and all elected parish officials are eligible to participate in the System. Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 per cent of their final-average salary for each year of creditable service. However, for those employees who were members of the supplemental plan only before January 1, 1980, the benefit is equal to one per cent of final average salary plus \$24 for each year of supplemental-plan-only service earned before January 1, 1980, plus 3 per cent of final-average salary for each year of service credited after the revision date. Final-average salary is the employee's average salary over the 36 consecutive or joined months that

WASHINGTON PARISH GOVERNMENT

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Notes to the Primary Government Financial Statements (Continued)

produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Parochial Employees' Retirement System, Post Office Box 14619, Baton Rouge, Louisiana 70898-4619, or by calling (225) 928-1361.

Under Plan A, members are required by state statute to contribute 9.5 percent of their annual covered salary and the Washington Parish Government is required to contribute at an actuarially determined rate. The current rate is 7.75 percent of annual covered payroll. Contributions to the System also include one-fourth of one per cent of the taxes shown to be collectible by the tax rolls of each parish, except Orleans and East Baton Rouge Parishes. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Washington Parish Government are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Washington Parish Government's contributions to the System under Plan A for the years ending December 31, 2003, 2002, and 2001, were \$139,502, \$125,153, and \$119,624, respectively, equal to the required contributions for each year.

19. CRIMINAL COURT FUND DEFICIT

At December 31, 2003 the Criminal Court Fund had a deficit fund balance of \$114,489. Parish Government has no control over this fund and is unaware of how the Court will correct this deficit situation.

20. LITIGATION

At December 31, 2003, the Parish Government was a defendant in several lawsuits arising principally from vehicular accidents on Parish roads and fall cases occurring within Parish buildings. The Parish has no current liability insurance covering its roads and bridges. In a vehicular suit, Richard Blalock versus Washington Parish,

WASHINGTON PARISH GOVERNMENT

Franklinton, Louisiana

Notes to the Primary Government Financial Statements (Continued)

et al, the court ruled against the Parish Government and awarded a damage verdict of \$2,486,457 plus interest. The attorney for the Parish Government has stated that the judgement is now final and LIGA has paid approximately \$150,000 of it. The remainder of the judgement is active against the Parish Government. Also, he stated that other cases pose substantial exposure and risk; but, generally, judgment creditors can not execute against publically owned property and can only be paid out of funds specifically allocated by the public body. At December 31, 2003 no appropriations had been specifically allocated for payment of any of the lawsuits.

RICHARD M. SEAL

CERTIFIED PUBLIC ACCOUNTANT ◦ CERTIFIED GOVERNMENT FINANCIAL MANAGER

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

Washington Parish Government
Franklinton, Louisiana

I have audited the primary government financial statements of Washington Parish Government as of and for the year ended December 31, 2003, and have issued my report thereon dated June 23, 2004, which was qualified for omission of one or more, but not all component units. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Washington Parish Government's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 2003-1 and 2003-2. I also noted certain immaterial instances of noncompliance that I have reported to management of Washington Parish Government in a separate letter dated June 23, 2004.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Washington Parish Government's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not

necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. However, I noted a certain matter involving the internal control over financial reporting and its operation that I consider to be a reportable condition. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the Washington Parish Government's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions is described in the accompanying schedule of findings and questioned costs as item 2003-3.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe that the reportable condition described above is a material weakness.

This report is intended solely for the information of the Washington Parish Government's management and the office of the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Certified Public Accountant

Bogalusa, Louisiana
June 23, 2004

SPECIAL REVENUE FUNDS

Tourism Tax Fund - Accounts for the proceeds of a 3% bed and board tax. On March 30, 1994 the 22nd Judicial District Court ruled the tax unconstitutional. The Police Jury voted to suspend collection of the tax in May 1994 pending the ruling of the Louisiana Supreme Court. On November 30, 1994 the Supreme Court upheld the ruling of the lower Court.

Parish Transportation Fund - Accounts for constructing, improving, and maintaining public roads and bridges in the parish. Financing is provided by the State of Louisiana Parish Transportation Fund, ad valorem taxes, and state revenue sharing funds. The ad valorem tax expires in 2006.

Courthouse Maintenance Fund - Accounts for the operation and maintenance of the courthouse and related public buildings of the parish. Financing is provided by ad valorem taxes and state revenue sharing. The ad valorem tax expires in 2006.

Health Unit Maintenance Fund - Accounts for the operation and maintenance of public health units in the parish. Financing is provided by ad valorem taxes and state revenue sharing. The ad valorem tax expires in 2006.

Criminal Court Fund - The Criminal Court Fund was established under Section 571.11 of Title 15 of the Louisiana Revised Statutes of 1950, which provides that fines and forfeitures imposed by district courts and district attorney conviction fees in criminal court cases be transferred to the parish treasurer and deposited into a special Criminal Court Fund account to be used for the expenses of the criminal court of the parish. Expenditures are made from the fund on motion of the district attorney and approval of the district judges or on motion of the district judges and approval of the district attorney.

Library Fund - The Washington Parish Library was established by the Washington Parish Government on November 14, 1945, under provisions of Louisiana Revised Statute 25:211. The library provides citizens of the parish access to library materials, books, magazines, records, and films. The library is governed by a board of control, which is appointed by the Washington Parish Government in accordance with the provisions of Louisiana Revised Statute 21:214. The members of the board of control serve without pay. Primary financing is provided by ad valorem taxes and state revenue sharing. The ad valorem tax expires in 2006.

Special Witness Fund - The Special Witness Fund was established under Section 255 of Title 15 of the Louisiana Revised Statute of 1981, which provides that costs of court collected in individual cases, tried in district or parish courts on which there is a plea of guilty or conviction, be transferred to the parish treasurer and deposited into a Special Witness Fund account to be used to pay off-duty officer witness fees. Expenditures are made from the fund when court affidavit is presented to the Parish Comptroller, and when the appropriate payroll department verifies that the officer was off duty.

Sales Tax Split 1% - Accounts for the proceeds of the one cent sales tax imposed parishwide, excluding the City of Bogalusa, for periods May, 1992, and thereafter, to pay the costs of providing, maintaining, operating, constructing, acquiring, and/or improving solid waste facilities. Excess collections are to be used as follows:

- (a) 45% of excess will be used to pay mandated expenditures of the General Fund which the parish is legally obligated to pay under Louisiana law.
- (b) 44.14% of excess will be placed in the Parish Transportation Fund to be used for constructing, maintaining, and improving parish roads, highways, and bridges.
- (c) 9.72% of excess will be used for constructing, maintaining, and improving roads, highways, bridges, and drainage facilities in the Town of Franklinton. In addition, 80% of this money must be used for economic development in the first five years.
- (d) 0.57% of excess will be equally used for constructing, maintaining, and improving roads, highways, and bridges in the Villages of Angie; and
- (e) 0.57% of excess will be equally used for constructing, maintaining, and improving roads, highways, and bridges in the Villages of Varnado.

Sales Tax Split 0.67% - Accounts for the rededication of the above Sales Tax Split 1% fund. On April 6, 2002 the voters decided to reduce the 1.00% sales tax, parishwide except Bogalusa, to 0.67% and rededicate the proceeds of the tax in excess of that needed for solid waste to:

- (a) 68% for cost of services parish is legally obligated to pay,
- (b) 15% for parish roads and bridges,
- (c) 15% to the Town of Franklinton,
- (d) 1% to the Village of Angie, and
- (e) 1% to the Village of Varnado.

Governor's Office of Rural Development Fund - Accounts for various grants from the State of Louisiana.

Washington Parish Office of Emergency Preparedness - was established by state law (R.S. 29:728) and is responsible for emergency mitigation, preparedness, response and recovery. The director is appointed by the parish president and must be commissioned by the director of the state office of emergency preparedness. Operating expenses are partially reimbursed by the state.

WASHINGTON PARISH GOVERNMENT
Franklinton, Louisiana
Special Revenue Funds
Combining Balance Sheet
December 31, 2003

	TOURISM TAX	PARISH TRANSPORTATION	COURTHOUSE MAINTENANCE	HEALTH UNIT MAINTENANCE	CRIMINAL COURT	LIBRARY	SPECIAL WITNESS	SALES		GOVERNOR'S OFFICE OF RURAL DEVELOPMENT	OFFICE OF EMERGENCY PREPAREDNESS	TOTALS
								TAX SPLIT 1%	TAX SPLIT 0.67%			
Cash and cash equivalents	\$	32,857	242	\$ 584,706	\$	289,097	\$	\$ 1,739,738	\$	\$	\$	\$ 2,646,640
Investments		62,083	48,977	572,324		243,021		120,271				1,046,676
Receivables		523,338	117,975	356,213	13,126	526,869	896	23	142,933	19,491	3,958	1,704,822
Net investment in Joint Venture								70,139				70,139
Due from other funds		942,965		542,421			11,912		1,982,882		54,673	3,534,853
Due from other governmental units	682											682
Total assets	\$ 682	\$ 1,561,243	\$ 167,194	\$ 2,055,664	\$ 13,126	\$ 1,058,987	\$ 12,808	\$ 1,930,171	\$ 2,125,815	\$ 19,491	\$ 58,631	\$ 9,003,812
LIABILITIES AND FUND BALANCES												
Liabilities:												
Accounts payable	\$	22,338	\$ 101	\$ 5,738	\$ 305	\$ 6,693	\$ 225	\$ 5,525	\$ 358,754	\$	\$ 3,783	\$ 403,462
Due to other governmental units								17,224				17,224
Due to other funds	682		54,057		127,310	668,011		162,554	1,751,879	9,919		2,774,412
Total liabilities	682	22,338	54,158	5,738	127,615	674,704	225	185,303	2,110,633	9,919	3,783	3,195,098
Fund balances:												
Unreserved:												
Designated -												
Closure and postclosure care costs												441,306
Construction												600,000
Undesignated(deficit)	-	1,538,905	113,036	2,049,926	(114,489)	384,283	12,583	703,562	15,182	9,572	54,848	4,767,408
Total fund balances	-	1,538,905	113,036	2,049,926	(114,489)	384,283	12,583	1,744,868	15,182	9,572	54,848	5,808,714
Total liabilities and fund balances	\$ 682	\$ 1,561,243	\$ 167,194	\$ 2,055,664	\$ 13,126	\$ 1,058,987	\$ 12,808	\$ 1,930,171	\$ 2,125,815	\$ 19,491	\$ 58,631	\$ 9,003,812

See accompanying auditor's report.

WASHINGTON PARISH GOVERNMENT
Franklinton, Louisiana
Special Revenue Funds
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
For the Year Ended December 31, 2003

	TOURISM TAX	PARISH TRANSPORTATION	COURTHOUSE MAINTENANCE	HEALTH UNIT MAINTENANCE	CRIMINAL COURT	LIBRARY	SPECIAL WITNESS	SALES		GOVERNOR'S OFFICE OF RURAL DEVELOPMENT	OFFICE OF EMERGENCY PREPAREDNESS	TOTALS
								TAX SPLIT 1%	TAX SPLIT 67%			
REVENUES												
Taxes:												
Ad valorem	\$	423,034	\$ 100,589	\$ 306,638	\$	\$ 446,282	\$	\$	\$	\$	\$	\$ 1,276,543
Sales tax								8,092	1,487,509			1,495,601
Intergovernmental revenues:												
Federal funds												
State funds:											4,312	4,312
Parish transportation funds		432,466										432,466
State revenue sharing		50,147	12,508	37,761		55,847						156,263
Other						27,289				119,784	76,678	223,751
Fees, charges, etc.							6,396					6,396
Fines and forfeitures					115,003	5,755						120,758
Interest		15,348	1,430	35,740		11,760		25,838	32,209			122,325
Other		50,911			701	15,166				12		66,790
Total revenues	-	971,906	114,527	380,139	115,704	562,099	6,396	33,930	1,519,718	119,796	80,990	3,905,205
EXPENDITURES												
Current:												
General government:												
Judicial					153,373							156,173
Other			104,832				2,800					104,832
Public safety											20,229	20,229
Health and welfare												292,536
Highways and streets		1,677,887		292,536								1,677,887
Sanitation								187,878	340,129			528,007
Culture and recreation						594,746						594,746
Debt service		1,129										2,258
Capital outlay		48,238		30,488		125,205				119,663	7,305	449,267
Total expenditures	-	1,727,254	104,832	323,024	153,373	719,951	2,800	307,375	340,129	119,663	27,534	3,825,935
Excess (deficiency) of revenue over expenditures	-	(755,348)	9,695	57,115	(37,669)	(157,852)	3,596	(273,445)	1,179,589	133	53,456	79,270

(Continued)
See accompanying auditor's report.

WASHINGTON PARISH GOVERNMENT
Franklinton, Louisiana
Special Revenue Funds
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
For the Year Ended December 31, 2003

	TOURISM TAX	PARISH TRANSPORTATION	COURTHOUSE MAINTENANCE	HEALTH UNIT MAINTENANCE	CRIMINAL COURT	LIBRARY	SPECIAL WITNESS	SALES TAX SPLIT 1%	SALES TAX SPLIT 67%	GOVERNOR'S OFFICE OF RURAL DEVELOPMENT	OFFICE OF EMERGENCY PREPAREDNESS	TOTALS
OTHER FINANCING SOURCES(USES)												
Operating transfers in	\$	316,548	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$ 316,548
Operating transfers(out)									(1,751,552)			(1,751,552)
Increase in investment in joint venture								12,039				12,039
Excess sales tax split with other government entities									(358,754)			(358,754)
Sale of fixed assets		6,525										6,525
Total other financing sources(uses)		323,073						12,039	(2,110,306)			(1,775,194)
Excess (deficiency) of revenues and other financing sources over expenditures and other uses		(432,275)	9,696	57,115	(37,669)	(157,852)	3,596	(261,406)	(930,717)	133	53,456	(1,695,924)
Fund balance, beginning		1,971,180	103,341	1,992,811	(76,820)	542,135	8,987	2,006,274	945,899	9,439	1,392	7,504,638
Fund balance, ending	\$	1,538,905	\$ 113,036	\$ 2,049,926	\$ (114,489)	\$ 384,283	\$ 12,583	\$ 1,744,868	\$ 15,182	\$ 9,572	\$ 54,848	\$ 5,808,714

(Concluded)

See accompanying auditor's report.

DEBT SERVICE FUNDS

General Obligation Jail Bonds - This fund was established to account for the debt service of the 1981 Jail Bonds. All the bonds have been paid. The money left over in this account can only be used for the same purpose as the original jail bonds.

Certificates of Indebtedness - This fund was established to account for the debt service of the \$5,600,000 Certificate of Indebtedness, Series 2002 and the \$2,400,000 Limited Tax Certificate of Indebtedness, Series 2002.

Road Improvement Revenue Bonds - This fund was established to account for the debt service of the \$15,000,000 Sales Tax Revenue Bonds (Washington Parish Road Project) Series 2003 issued through the Louisiana Local Government Environmental Facilities and Community Development Authority (LCDA).

WASHINGTON PARISH GOVERNMENT
 Franklinton, Louisiana
 Debt Service Funds
 Combining Balance Sheet
 December 31, 2003

	GENERAL OBLIGATION JAIL BONDS	CERTIFICATES OF INDEBTEDNESS	ROAD IMPROVEMENT REVENUE BONDS	TOTAL
ASSETS				
Assets:				
Cash	\$ 1,808	\$	\$	\$ 1,808
Investments	218,038			218,038
Total assets	<u>\$ 219,846</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 219,846</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Due to other funds	\$ 84,797	\$	\$	\$ 84,797
Total liabilities	<u>84,797</u>	<u>-</u>	<u>-</u>	<u>84,797</u>
Fund balance	<u>135,049</u>	<u>-</u>	<u>-</u>	<u>135,049</u>
Total liabilities and fund balance	<u>\$ 219,846</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 219,846</u>

See accompanying auditor's report.

WASHINGTON PARISH GOVERNMENT

Franklinton, Louisiana

Debt Service Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended December 31, 2003

	GENERAL OBLIGATION JAIL BONDS	CERTIFICATES OF INDEBTEDNESS	ROAD IMPROVEMENT REVENUE BONDS	TOTAL
REVENUES				
Taxes:				
Ad valorem	\$ 891	\$	\$	\$ 891
Interest	5,418			5,418
Total revenues	6,309	-	-	6,309
EXPENDITURES				
Debt Service:				
Principal		205,000		205,000
Interest		224,311	253,303	477,614
Total expenditures	-	429,311	253,303	682,614
Excess (deficiency) of revenues over expenditures	6,309	(429,311)	(253,303)	(676,305)
OTHER FINANCING SOURCES(USES)				
Transfers in		429,311	253,303	682,614
Total other financing sources(uses):	-	429,311	253,303	682,614

(Continued)

See accompanying auditor's report.

WASHINGTON PARISH GOVERNMENT
Franklinton, Louisiana
Debt Service Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended December 31, 2003

	GENERAL OBLIGATION JAIL BONDS	CERTIFICATES OF INDEBTEDNESS	ROAD IMPROVEMENT REVENUE BONDS	TOTAL
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	\$ 6,309	\$ -	\$ -	\$ 6,309
Fund balance, beginning	128,740	-	-	128,740
Fund balance, ending	\$ 135,049	\$ -	\$ -	\$ 135,049

(Concluded)

See accompanying auditor's report.

CAPITAL PROJECTS FUNDS

Road Improvement Fund - Accounts for the following sales and ad valorem tax revenues which are dedicated solely for constructing, improving, maintaining and resurfacing public roads and bridges in the Parish including incidental drainage and the acquisition of equipment thereof:

- 10 year, 10 mill property tax (parishwide) effective for 2002.
- .33% sales and use tax (parishwide) effective July 1, 2002.
- 1% sales and use tax (all unincorporated areas of the parish) effective January 1, 2003.

Varnado Project LCDBG 2002 - Accounts for a Louisiana Community Development Block Grant to provide for a new water well for the Varnado Water District, a component unit of the Washington Parish Government.

Road Project LCDBG 2002 - Accounts for a Louisiana Community Development Block Grant to provide resurfacing a five mile radius which includes Old Columbia, Harvey, Robertson, Floyd Robertson, Jenkins, and Star Creek Roads. This project was completed during 2003.

WASHINGTON PARISH GOVERNMENT
 Franklinton, Louisiana
 Capital Projects Funds
 Combining Balance Sheet
 December 31, 2003

	ROAD IMPROVEMENT FUND	VARNADO PROJECT LCDBG 2002	ROAD PROJECT LCDBG 2002	TOTAL
\$	\$	\$	\$	\$
1,199,822	3,189	-	3,189	1,199,822
11,070,436	92,409	-	92,409	11,070,436
6,690,041	-	-	6,690,041	6,690,041
<u>\$ 18,960,299</u>	<u>\$ 95,598</u>	<u>\$ -</u>	<u>\$ 19,055,897</u>	<u>\$ 19,055,897</u>

ASSETS

Assets:

Cash
 Ad valorem and sales tax receivables
 Due from LCDBG
 Due from LCDA
 Due from other funds

Total assets

LIABILITIES AND FUND BALANCE

Liabilities:

Accounts payable
 Retainage payable
 Due to other governmental units
 Deferred revenue
 Total liabilities
 Fund balance

Total liabilities and fund balance

See accompanying auditor's report.

WASHINGTON PARISH GOVERNMENT
Franklinton, Louisiana
Capital Projects Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended December 31, 2003

	ROAD IMPROVEMENT FUND	VARNADO PROJECT LCDBG 2002	ROAD PROJECT LCDBG 2002	TOTAL
REVENUES				
Taxes:				
Ad valorem	\$ 957,131	\$	\$ 957,131	
Sales and use	1,929,118		1,929,118	
Intergovernmental:				
Federal Funds:				
Federal grants		105,809	286,662	392,471
Local:				
Varnado Water District		9,772		9,772
Interest	227,105		227,105	
Total revenues	3,113,354	115,581	286,662	3,515,597
EXPENDITURES				
Administration		9,772		9,772
Construction	6,686,319	105,809	286,662	7,078,790
Bond issuance fee	106,508			106,508
Capital outlay	9,820			9,820
Total expenditures	6,802,647	115,581	286,662	7,204,890

(Continued)
See accompanying auditor's report.

WASHINGTON PARISH GOVERNMENT
Franklinton, Louisiana
Capital Projects Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended December 31, 2003

	ROAD IMPROVEMENT FUND	VARNADO PROJECT LCDBG 2002	ROAD PROJECT LCDBG 2002	TOTAL
Excess (deficiency) of revenues over expenditures	\$ (3,689,293)	\$ -	\$ -	\$ (3,689,293)
OTHER FINANCING SOURCES(USES)				
Transfers(out)	(682,614)			(682,614)
Bond proceeds	15,000,000			15,000,000
Bond premium	19,701			19,701
Total other financing sources(uses):	14,337,087	-	-	14,337,087
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	10,647,794	-	-	10,647,794
Fund balance, beginning	7,908,688	-	-	7,908,688
Fund balance, ending	\$ 18,556,482	\$ -	\$ -	\$ 18,556,482

(Concluded)

See accompanying auditor's report.

ENTERPRISE FUND

Revolving Loan Fund - Accounts for a Rural Business Enterprise Grant used to establish a revolving loan fund to facilitate the development of small and emerging private business, industry, and related employment for improving the economy in rural communities.

WASHINGTON PARISH GOVERNMENT
 Franklinton, Louisiana
 Enterprise Fund
 Revolving Loan Fund
 Balance Sheet
 December 31, 2003

ASSETS

Assets:		
Cash		\$ 19,845
Notes receivable:		
Breedlove Farm, L.L.C.	911,033	
Smith Creamery, L.L.C.	<u>94,877</u>	
Total notes receivable	1,005,910	
Less allowance for doubtful accounts	<u>(911,033)</u>	
Net notes receivable		<u>94,877</u>
Total assets		<u><u>\$ 114,722</u></u>

LIABILITIES AND RETAINED EARNINGS

Liabilities:		
Due to other funds		18,000
Retained earnings		<u>96,722</u>
Total liabilities and retained earnings		<u><u>\$ 114,722</u></u>

See accompanying auditor's report.

WASHINGTON PARISH GOVERNMENT
 Franklinton, Louisiana
 Enterprise Fund
 Revolving Loan Fund
 Statement of Revenue, Expenses,
 and Changes in Retained Earnings
 For the Year Ended December 31, 2003

REVENUE

Interest income	\$ 26,359
Other	505
Total revenues	26,864

EXPENSES

Bad debt expense	911,033
Total expenses	911,033

Net income (loss)	(884,169)
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Retained earnings, beginning	980,891
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Retained earnings, ending	\$ 96,722
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See accompanying auditor's report.

WASHINGTON PARISH GOVERNMENT
Franklinton, Louisiana
Schedule of Compensation Paid
For the Year Ended December 31, 2003

<u>PRESIDENT - COUNCIL MEMBERS</u>	<u>AMOUNT</u>
M.E. "TOYE" TAYLOR, PARISH PRESIDENT	\$ 78,630
RELTON SUMRALL	7,200
CHARLES NASSAUER	7,200
DARWIN SHARP	7,200
KENNETH WHEAT	7,050
MARVIN THOMAS	7,200
CLINTON MILEY	7,200
RODNEY BROWN	9,600
	<hr/>
	<u>\$ 131,280</u>

See accompanying auditor's report.

RICHARD M. SEAL

CERTIFIED PUBLIC ACCOUNTANT ◦ CERTIFIED GOVERNMENT FINANCIAL MANAGER

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

Washington Parish Government
Franklinton, Louisiana

Compliance

I have audited the compliance of the Washington Parish Government with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2003. The Washington Parish Government's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Washington Parish Government's management. My responsibility is to express an opinion on the Washington Parish Government's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Washington Parish Government's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the Washington Parish Government's compliance with those requirements.

In my opinion, the Washington Parish Government complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2003. However, the results of my auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2003-4.

Internal Control Over Compliance

The management of the Washington Parish Government is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered the Washington Parish Government's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended solely for the information of the Washington Parish Government's management, the office of the Louisiana Legislative Auditor and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Richard M. Seal

Certified Public Accountant

Bogalusa, Louisiana
June 23, 2004

WASHINGTON PARISH GOVERNMENT
 Franklinton, Louisiana
 Schedule of Expenditures of Federal Awards
 For the Year Ended December 31, 2003

FEDERAL GRANTOR PASS-THROUGH GRANTOR PROGRAM NAME	CFDA NUMBER	EXPENDITURES
<u>United States Department of Housing and Urban Development</u>		
<u>Passed through Louisiana Division of Administration- Office of Community Development</u>		
LA Community Development Block Grant- Varnado Water Project	14.228	105,809
LA Community Development Block Grant Road Project	14.228	<u>286,662</u>
Total United States Department of Housing and Urban Development		<u>392,471</u>
<u>United States Department of Health and Human Services</u>		
<u>Passed through Louisiana Department of Health and Hospitals</u>		
Public Health Preparedness and Response for Bioterrorism	93.283	<u>4,312</u>
Total United States Department of Health and Human Services		<u>4,312</u>
TOTAL EXPENDITURES		<u>\$ 396,783</u>

See accompanying notes to schedule of expenditures of federal awards.

WASHINGTON PARISH GOVERNMENT
Franklinton, Louisiana
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2003

NOTE A--- BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Washington Parish Government and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB A-133, *Audit of States, Local Governments, and Non-Profit Organizations*.

WASHINGTON PARISH GOVERNMENT
Franklinton, Louisiana
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2003

Section I—Summary of Auditor's Results

Financial Statements

1. The auditor's report expresses a qualified opinion on the primary government financial statements of the Washington Parish Government.
2. There was one material weakness in internal control relating to the audit of the financial statements of the Washington Parish Government noted during the audit.
3. There were two instances of noncompliance material to the financial statements of the Washington Parish Government noted during the audit.

Federal Awards

1. There were no reportable conditions relating to the audit of the major federal award programs.
2. The auditor's report on compliance for the major federal award programs for the Washington Parish Government expresses an unqualified opinion.
3. There are no audit findings that are required to be reported in accordance with Circular A-133, Section .510(a).

4. Identification of major programs:

<u>CFDA Number</u>	<u>Name of Passed-Through Grantor/Federal Program</u>
14.228	United States Department of Housing and Urban Development/ LA Community Block Grant-Varnado Water Project LA Community Block Grant-Road Project

5. The threshold for distinguishing major programs was \$300,000.
6. The Washington Parish Government did not qualify as a low-risk auditee.

(Continued)
See accompanying auditor's report.

WASHINGTON PARISH GOVERNMENT
Franklinton, Louisiana
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2003

Section II—Financial Statement Findings

Material noncompliance

2003-1 NONCOMPLIANCE WITH BID LAW

Criteria - The Louisiana Public Bid Law (R.S. 38:2211-2261) applies to purchases of materials and supplies and contracts for public works. The law becomes applicable for public works when the monetary cost "threshold" for a particular procurement or change order exceeds \$100,000. A change order outside the scope of the contract is defined as "a change order which alters the nature of the thing to be constructed or which is not an integral part of the project objective".

Condition - As part of Washington Parish Government's Road Maintenance and Rehabilitation Program, bids for Phase 1A were received on February 27, 2003. Bid specification contained a specific list of roads in the project, including the length and width of each road which established "the nature of the thing to be constructed". The contract was awarded to the lowest bidder for \$3,498,425, and work began on May 5, 2003.

On June 9, 2003, a change order was executed for \$931,989 which added seven new roads to the contract ranging in distance from 0.2 miles to 3.7 miles for a total 14.6 miles.

The change order exceeded \$100,000, and was outside the scope of the original contract because it "altered the nature of the thing to be constructed" by adding new roads to the existing contract. Bids should have been requested for the additional work.

Auditor's Recommendation - Care should be exercised to ensure compliance with the Louisiana Public Bid Law.

(Continued)
See accompanying auditor's report.

WASHINGTON PARISH GOVERNMENT
Franklinton, Louisiana
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2003

Section II—Financial Statement Findings (Cont'd)

Material noncompliance (cont'd)

2003-1 NONCOMPLIANCE WITH BID LAW(cont'd)

Management's Response - The Washington Parish Government relied upon it's engineering firm and an Attorney General's opinion provided to us in reference to the same situation in reference to the same situation in Pointe Coupee Parish allowing change orders. Washington Parish Government will not rely on this Attorney General's opinion in the future; and we fully intend to comply with the Louisiana Public Bid Law.

2003-2 NONCOMPLIANCE WITH PARISH TRANSPORTATION ACT

Criteria - State law (R.S. 48:751) provides for the establishment of the "Parish Transportation Fund" in the state treasury. The monies in the fund are used to regulate and build and repair roads in the parishes of the state. To receive the funds, a parish government must adopt a capital improvements program that lists all projects to be constructed during the current fiscal year and the following two years based on an annual needs study. The funds appropriated to each parish must be used for the benefit of the parish as a whole and within the priority ranking for the parish. The most critical needs existing parishwide according to the priority ranking must be met first.

Condition - Execution of the change order in 2003-1 above is also an instance of noncompliance with the Parish Transportation Act. The added roads were repaired out of sequence with the capital improvements program and not based on priority ranking.

Auditor's Recommendation - Care should be exercised to comply with the provisions of the Parish Transportation Act so as not to lose any state funding.

Management's Response - The Washington Parish Government fully intends to comply with the Parish Transportation Act.

(Continued)
See accompanying auditor's report.

WASHINGTON PARISH GOVERNMENT
Franklinton, Louisiana
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2003

Section II—Financial Statement Findings (Cont'd)

Material weakness in internal control

2003-3 BANK RECONCILIATIONS

Criteria - Internal control can be improved through segregation of duties. The basic premise is that no one employee should be involved in a sequence of related operations. For example the person who reconciles the bank statement should not engage in or record bank transactions.

Condition - The Parish Comptroller, prepares some checks, signs many checks, maintains the general ledger, and reconciles the bank accounts.

Auditor's Recommendation - The employee that maintains the general ledger should not reconcile the bank accounts. The bank reconciler should also receive the bank statements unopened from the banks. Bank reconciliations should be prepared on a timely basis and reviewed by a responsible person.

Management's Response - Management intends to involve two other people in the bank reconciliation process of the master account. All three people will sign off on the reconciliation and also on any manual entries made to the general ledger. The Council Clerk will receive and open the master bank account and review it prior to submitting it for reconciliation. Management is working towards reallocation this task towards someone else other than the Comptroller.

(Continued)
See accompanying auditor's report.

WASHINGTON PARISH GOVERNMENT
Franklinton, Louisiana
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2003

Section III—Federal Award Findings and Questioned Costs

Questioned
Costs

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Business Enterprise Grant (RBEG) CFDA No. 10.769

2003-4 Unallowable Costs for RBEG—December 31, 2002

Criteria - OMB Circular A-87 establishes principles for determining the allowable costs incurred by federally-funded grants. It states that "any losses arising from uncollectible accounts and other claims, and related costs, are unallowable unless provided for in Federal program award regulations".

Condition - The Enterprise Fund of Washington Parish Government as of December 31, 2003 shows a bad debt expense of \$911,033, which relates to a \$975,000 loan to Breedlove Farm, L.L.C. on October 18, 2002. The loan was made from the proceeds of a Federal grant. Apparently, there is no provision in any Federal program award regulation that would exclude this bad debt expense from being a questioned cost. The result is a questioned cost of the United States Department of Agriculture, Rural Business Enterprise Grant (RBEG) CFDA No. 10.769.

\$ 911,033

Management's Response - Full collection of the note is doubtful. Therefore we set up an allowance for doubtful accounts, which created a bad debt expense. We will continue to pursue the collection of payments on the debt.

(Concluded)

See accompanying auditor's report.

WASHINGTON PARISH GOVERNMENT
 Franklinton, Louisiana
 Schedule of Prior-Year Findings
 For the Year Ended December 31, 2003

Section I Internal Control and Compliance Material to the Financial Statements	
02-1 The Parish Comptroller, prepares some checks, signs many checks, maintains the general ledger, <u>and</u> reconciles the bank statement.	Not resolved. See finding 2003-1.
Section II Internal Control and Compliance Material to Federal Awards	
There were no prior year findings.	
Section III Management Letter	
02-1 Criminal Court Fund had a thirty-four percent unfavorable variance in revenues, which increased the deficit.	Not resolved. See management letter.

See accompanying auditor's report.

RICHARD M. SEAL

CERTIFIED PUBLIC ACCOUNTANT ◦ CERTIFIED GOVERNMENT FINANCIAL MANAGER

RECEIVED
LEGISLATIVE AUDITOR
04 JUL - 1 AM 11:38

To the Honorable M.E. "Toye" Taylor, Parish President
and the Members of the Parish Council
Franklinton, Louisiana

I have audited the primary government financial statements of the Washington Parish Government (Parish Government) as of and for the year ended December 31, 2003, and have issued my report therein dated June 23, 2004. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Audit Standards*, issued by the Comptroller General of the United States and the provisions of OMB Circular A-133.

During the course of my examination, I became aware of the following matters that I want to bring to your attention:

1. **Criminal Court Fund** - The deficit in this fund increased from \$76,820 on December 31, 2002 to \$114,489 on December 31, 2003. I understand that Parish Government has no control over the expenditures in the Criminal Court Fund. I just wanted to make you aware of this growing problem.
2. **Implementation of GASB-34** - Parish Government is required to implement GASB-34 on December 31, 2004. I strongly recommend that management begin implementation no later than August 15, 2004.

Let me know if you want to discuss the suggestions or help implement the recommendations.


Certified Public Accountant

Bogalusa, Louisiana
June 23, 2004